6/8/87 SG615-2

MAY 1987

OREGON LABOR TRENDS

APRIL INDICATORS

UNEMPLOYMENT RATE

Oregon (Seas. Adj.)		
Apr.	1987	5.8
Mar.	1987	6.3
Apr.	1986	8.6
U.S.		
Apr.	1987	6.3
Mar.	1987	6.6
Apr.	1986	7.1

WAGE AND SALARY EMPLOYMENT INDEX

Oregon *1977=100*

Apr.	1987	115.8
Mar.	1987	115.6
Feb.	1987	115.3
Jan.	1987	114.8
Dec.	1986	114.2

DIFFUSION INDEX

Oregon

Apr.	1987	59.3
Mar.	1987	61.6
Feb.	1987	64.3
Jan.	1987	59.7
Dec.	1986	53.5

PRODUCTION WORKER AVERAGE WEEKLY HOURS

Oregon

Mar.	1987	39.0
Feb.	1987	39.4
Mar.	1986	39.3

CONSUMER PRICE INDEX (CPI)

1967=100
ALL URBAN CONSUMERS
Portland MSA

Nov.	1986	318.0
Yearly Change	+	0.3%
Annual Average	1986	316.8
Yearly Change	+	1.4%
U.S.		
Apr.	1987	337.7
Yearly Change	+	3.8%
Annual Average	1986	328.4
Yearly Change	+	1.9%

Portland Hotline 221-4132

OREGON'S RECOVERY—FACT OR FICTION?

Graham Slater

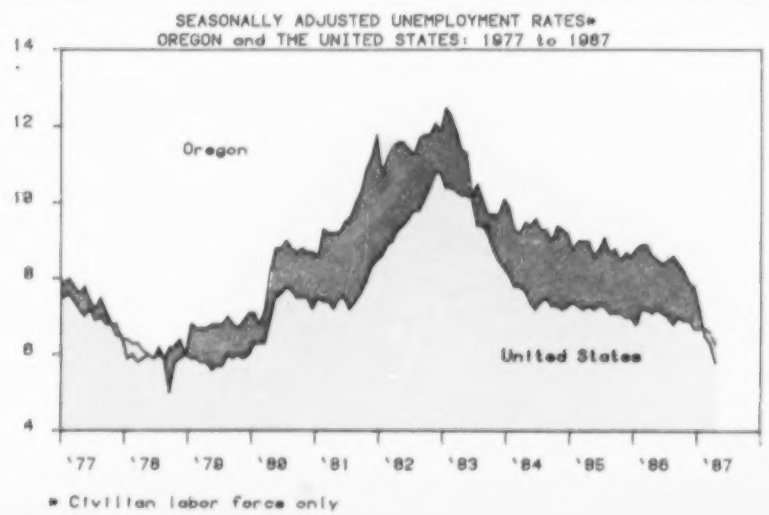
After long years of recession followed by painfully slow recovery, Oregon is finally making great strides toward future economic prosperity. In the past week or so, the unemployment rate continued to fall, measures of employment soared above record levels, labor disputes were resolved, reports of company closures were few and far between, and future employment growth was projected.

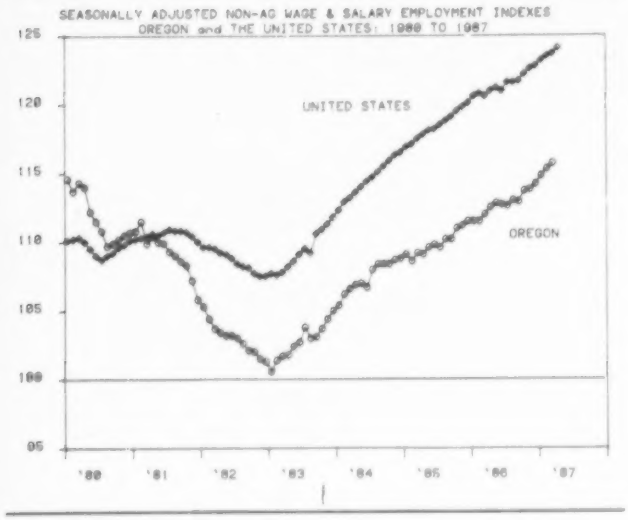
Does this sound too good to be true? Even if true based on the numbers, how accurate are the numbers? How many Oregonians are ready to accept a positive economic attitude after so many years with what might be called a "recession mentality"?

This article will attempt to answer these questions based on last month's employment and unemployment statistics, and on other factors which give perspective to the current condition of our economy. Before reading on, recognize that terms like "recession" and "recovery" are not as well-defined as we would like. In the most general sense, the following definitions will suffice:

Recession -A moderate and temporary decline in economic activity that temporarily interrupts a period of otherwise increasing prosperity.

Recovery - A return to a normal condition. (According to the "recession" definition, "normal condition" would be a period of "increasing prosperity".)





Given these definitions (and acknowledging that Oregon's recession was by no means moderate), how does the current economic climate fit in?

Oregon's seasonally adjusted unemployment rate fell in April (for the eighth consecutive month) to a nine-year low of 5.8%. The national rate also declined in April to 6.3%, making this the third successive month (and only the third time this decade) in which Oregon's rate has bettered the national average.

In addition to the unemployment rate, the number of people unemployed is an important factor. In April, 81,800 Oregonians were jobless and seeking work compared to an average of 153,000 during 1982, the worst year of the recession.

Adding further support to these positive figures are statistics from the Employment Division's local offices which deal directly with one group of the unemployed. The level of "weeks compensated" (the number of weeks for which unemployment insurance (UI) benefits have been paid) has fallen drastically since the mid-recession high. In 1979, there were 1.3 million weeks compensated, rising to 3.1m in 1982. Since then, a decline has taken place to 1.7m in 1984, after which the level has held steady. It is likely that this year's level will be lower.

One further unemployment item relates to the average length of time an unemployed person claims UI benefits. In 1979, the average duration of a claim (in weeks) was 12.5. By 1982 this had risen to 17.8, but has since fallen to 14.3 last year.

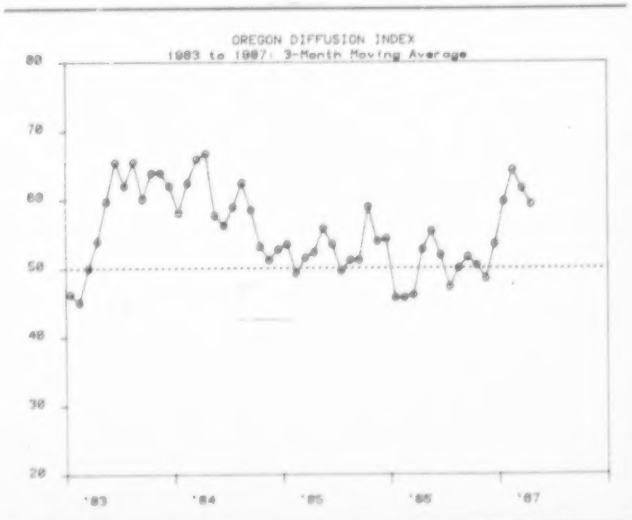
Turning to last month's employment trends, the nonagricultural wage and salary employment index rose for the seventh straight month, reaching 115.8. This index, based on 1977 as base year, tells us that employment is currently 15.8% above the average level of 1977. Perhaps more importantly, the index is now at an all-time high, meaning that after allowing for all seasonal considerations, employment in Oregon has never exceeded the current level.

Oregon's diffusion index, a predictor of employment trends several months ahead, is also continuing its most positive trend in several years, remaining in a positive range (suggesting employment growth ahead) for the last five months.

It is worth noting that the level or direction of change of any economic indicator does not mean a great deal if one month is looked at in isolation. But when statements include "eighth consecutive month", "seventh straight month", and "last five months", definite trends are evident.

One reason for skepticism about Oregon's recovery focuses on the lumber and wood products industry, which still lags far behind the employment levels of the late seventies. And yet, there are bright spots even here. Industry employment grew by 1,100 in April, with added jobs in nearly every sector. Millwork and structural wood is riding an all-time April high of 9,700 (compared to the 1979 April level of 7,900). Also, while employment remains lower than in pre-recession years, production was higher than ever before in 1986. This does not sound like an industry still struggling, but like one which has come through fighting, more efficient than ever. If lumber is to remain one of Oregon's central industries, it is essential that this transition to high efficiency be made, even at the cost of a certain number of jobs.

Total employment in the industry has averaged 66,100 so far in 1987 (based on seasonally adjusted estimates). While comparisons with the 1979 annual average (81,200) are not at all favorable, an understanding of the progress which has been made can be gained by comparing with 1982 (55,600) and even 1986 (63,900). This industry has made an impressively strong start in 1987, partly due to the lingering effects of last year's Canadian strike and low interest rates. Neither of these factors will remain throughout the year so continued strong growth is not expected, but neither is a major fall-off. When all is said and done, average wood products employment in 1987 should be near 66,000, with productivity breaking all records.



Employment trends for other durable goods industries were generally positive in April. The only major loser was transportation equipment where 600 jobs disappeared. However, this industry, whose volatility comes mostly from fluctuations in ship building and repair, faces improvements in the next few months as at least one major contract will create several hundred jobs. High-tech industries, which experienced such a dismal 1986, recorded their fourth straight month of stability, giving credence to the notion that 12 consecutive months of job losses may finally be behind us. While most industries followed a similar trend these past few years (peak in '79, decline to '82, some recovery since), high-tech has been an exception. The 1979 level of 30,000 rose to a "mid-recession high" of 33,700, and has since declined to 30,500. Current projections for high-tech employment suggest maintenance at this level to be the most likely course, at least over the next year.

Turning to nondurable manufacturing, the trends are somewhat less well-defined than in durable goods. Food processing employment appeared strong in April, adding 200 jobs when the loss of 500 was expected based on normal seasonal trends. However, almost all of these were in one part of the industry (seafood processing), and seasonal trends will be particularly difficult to predict early this year following unusually warm weather conditions during winter and spring. After losing "only" 1,500 jobs throughout the recession, food products should show little change for several more years.

The rest of nondurable manufacturing generally remains stable. Only paper and allied products has lost substantial jobs and failed to regain them. The pre-recession high of 10,400 looks like an impossible target after three years hovering around 9,000. On the other hand, the fastest growing industry in this manufacturing group is printing and publishing, now Oregon's fifth-largest manufacturing industry. "Fastest growing" is a relative term here - growth has been steady for more than twenty years. Current employment (12,100) shows growth of 500 over year ago levels, and bodes well for the future with no real threats to continuing progress perceived.

Summarizing, manufacturing employment's 1979 peak level of 228,500 dropped to 185,700 in three years, a loss of more than 40,000 jobs. Since then, steady progress has resurrected the level to 196,700 last year, with 200,000 appearing to be a reasonable goal, this year or next.

As was true in manufacturing, diverse employment trends have been evident in nonmanufacturing. Several industries recorded only moderate job losses before returning to more positive trends. Some never did record a negative year, and one followed more of a manufacturing trend - steep decline, then never recovering to former levels.

This last industry is, of course, construction. While 1987 has not been unkind to the industry, employment is far behind historical levels. Taking the positive view, even though slight increases in interest rates may restrict continuing progress in home construction, the next few months should show strong gains in highway construction, funded mostly by federal dollars. Even so, most forecasts leave construction employment at 33,100 in 1987, well behind the previous high of 53,000 (1979). Construction, like lumber and wood, will likely never return to those levels. (This fact alone makes it very difficult for some Oregonians to accept any notion of recovery. For them recovery without complete restoration of employment in these two basic Oregon industries is unthinkable.)

Elsewhere in nonmanufacturing the picture is far brighter. Transportation, communications, and utilities (TCU) provides a microcosmic picture of the entire Oregon economy, recording a six-year April high in spite of significant changes in composition. Railroads, water transportation, and telephone & other communication have declined to their lowest contemporary April levels (since 1972), while trucking & warehousing, travel agents, airlines, and radio & TV broadcasters set new highs. Current projections show that TCU will continue growing for several more years.

Retail and wholesale trade added 3,700 jobs in April, 1,000 more than expected at this time of year. Even more encouraging than the number of jobs created was the fact that they were fairly evenly distributed among a large variety of wholesale and retail sources. Growth in this industry has been well-documented. A slight decline during the worst of the recession was soon reversed so that 1986 employment averaged 268,100 compared to 1979's 256,800. While wholesale trade is inevitably less visible than retail, it is worth noting that current wholesale employment is 67,300, an all-time April high which exceeds by roughly 3,000 the current level in lumber and wood products. Total trade employment will reach new highs this year (with a projected annual average of 275,900), and growth will continue into the foreseeable future.

Employment in finance, insurance & real estate (FIRE) currently stands at an all-time high of 72,400, mostly due to growth outside of the finance sector. Last month, 900 new jobs appeared in real estate offices and among insurance agents. While banking employment remains at fairly average levels (by historical standards), other credit agencies, insurance companies and agents, and real estate offices all registered record employment levels for the time of year. Like trade, continued growth appears to be certain in this industry with 3,300 new jobs expected in 1987.

Services, predictable for outstanding growth, continues to break almost every record in the book. To give an idea of the broadly based industry-wide progress, note the following: Of thirteen "sub-industries" for which employment estimates are made, three recorded all-time highs, seven experienced their best April ever, and two turned in their best April in several years. Adding these up, twelve out of thirteen registered notable employment levels last month. In light of that, it is no surprise that services employment has never been higher, and the explosive growth is expected to continue. Nearly 14,000 new jobs will be added in 1987. (An industry employing 14,000 would be the third largest manufacturing industry in the state!)

These employment changes have created structural shifts in Oregon's employment picture which will never be reversed. In 1986, "goods-producing" payrolls (manufacturing, mining, construction) accounted for 232,200 workers, 22% of the total jobs. Before the recession, these establishments maintained close to a 27% share. Given that many of the disappearing jobs were well-paid while many of the "service-producing" jobs which replaced them offer lower pay scales, this becomes a significant factor for the State's economy.

In fact, income levels provide the final point of analysis in terms of Oregon's recovery. Based on constant 1986 dollars, average weekly earnings in manufacturing have declined by almost fifty dollars in the last seven years. An even more substantial decline (- $150) has taken place in construction. Adding to these dollar losses the fact that many jobs also disappeared, Oregon has experienced a net loss in manufacturing and construction of roughly thirty million dollars per week (a 30% reduction). Employment and earnings in both manufacturing and construction are still below pre-recession levels. While some of this reduction has been picked up by employment in other industries, there is no denying that a great many well-paying jobs have been lost in one way or another.

One other measure of income is the personal income series prepared by the U.S. Department of Commerce's Bureau of Economic Analysis. The most recent data, again based on constant '86 dollars, indicate that Oregon's total personal income in 1986 surpassed the 1979 level for the first time (+0.2%). However, in those seven years real earnings from employment declined by 9%, while dividends, interest and rent, and transfer payments rose by 23% and 26% respectively. Also, real per capita personal income has been increasing during the last four years, but in 1986 was still about 4% below the 1979 level.

What have we learned from this analysis? The basic lesson is that Oregon's economy (in fact, any economy) is a dynamic entity, always changing either for better or for worse. For what they are worth, the terms "recession" and "recovery" help us to understand periods of significant economic upheaval. However, if recovery is taken to mean a return to the exact economic situation of the past, the definition will never be satisfied. Throughout the past eight years, Oregon's overall economy has experienced a massive decline followed by substantial growth. In addition, the components of the economy, particularly in terms of employment, have been changing with some growing in importance, and some declining. Several industries have never been more crucial to our well-being. Others, which used to dominate, are now only one of several important job-providers. And still others, which once appeared to be an answer to many recessionary problems, proved themselves to be just as vulnerable to economic cycles as those they were supposed to aid.

In short, Oregon has a new economy. It is based on a broader group of industries than ever before. Lumber and wood products is strong and efficient and, given new levels of production and employment, is better braced to face future setbacks than it has been in the past. Food and kindred products will remain stable over the next few years. High-tech employment should not fall below current levels in the near future - gradual improvement is expected here. And printing & publishing should continue its upward drive. Continuing growth in manufacturing is expected until about 1989 when the threat of recession must once more be faced.

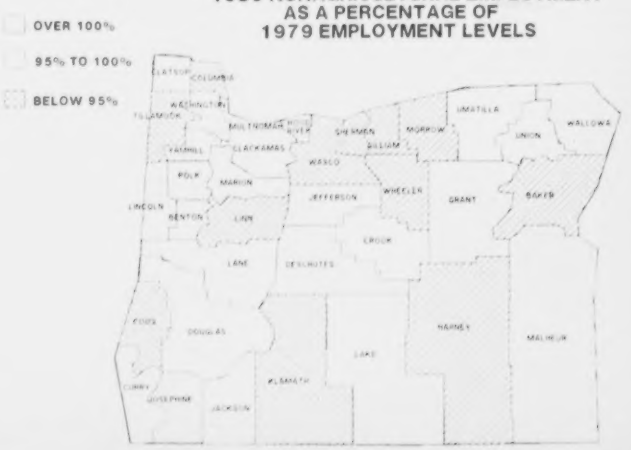
As is true nationally, Oregon's new economy has a heavy service-based component. Opportunities in nonmanufacturing account for more than 90% of the State's expected job growth through 1989. Construction and mining are not expected to grow, but neither are they likely to decline. Annual growth ranging from one to four percent is expected in TCU, trade, FIRE, and services.

Oregon's new economy is dominated by more lower paying jobs than was the old one. However, that fact alone is insufficient to claim that recovery has not taken place. Employment has returned to (and surpassed) its pre-recessionary levels. The new jobs which have been created are in different industries, pay different wages, and attract different people than did the old ones. Also, they are not distributed equally among the regions of the State (see map below). All these differences mean that some people, in some regions, are still unemployed with little likelihood of finding work without retraining and/or relocating.

Even so, it seems that the question facing us in the immediate future is not so much "How can we help Oregon to recover?" (for that seems to have already occurred), but "How can we mold this new Oregon into an economy we can live with, an economy which will provide for our families, an economy of which we can be proud?". These are the challenges for state and local economic development efforts.

Enough of recession. Let Oregon move forward, recognizing and accepting its new character, and developing that character into an economic strength not witnessed in the State's history. Oregon's future is only as secure as its citizens make it. A positive, recession-free attitude is but the first step in giving Oregon the vibrant, growing, and satisfying economy it deserves.□

1986 NONAGRICULTURAL EMPLOYMENT AS A PERCENTAGE OF 1979 EMPLOYMENT LEVELS



RESIDENT OREGON LABOR FORCE

	APR. 1987 1/	MAR. 1987 2/	CHANGE	% CHANGE	APR. 1986 5/
CIVILIAN LABOR FORCE 3/	1,346,000	1,348,700	- 2,700	- 0.2	1,334,600
UNEMPLOYMENT	81,800	93,700	- 11,900	- 12.7	121,200
PERCENT OF LABOR FORCE	6.1	6.9	XXX	XXX	9.1
SEASONALLY ADJUSTED PERCENT	5.8	6.3	XXX	XXX	8.6
TOTAL EMPLOYMENT 4/	1,264,200	1,255,000	9,200	0.7	1,213,400

1/ PRELIMINARY. 2/ REVISED. 3/ INCLUDES EMPLOYED AND UNEMPLOYED INDIVIDUALS 16 YEARS AND OLDER. DATA ARE ADJUSTED FOR MULTIPLE JOB-HOLDING AND COMMUTING. 4/ INCLUDES NONAGRICULTURAL WAGE AND SALARY, SELF-EMPLOYED, UNPAID FAMILY WORKERS, DOMESTICS, FARM WORKERS, AND LABOR DISPUTANTS. 5/ DUE TO REVISED ESTIMATING PROCEDURES BETWEEN DECEMBER 1986 AND JANUARY 1987, DATA FOR 1987 AND THAT OF PREVIOUS YEARS ARE NOT STRICTLY COMPARABLE.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
(BY PLACE OF WORK)

INDUSTRY	APR. 1987 1/	MAR. 1987 2/	APR. 1986	CHANGE FROM MAR. 1987	CHANGE FROM APR. 1986
TOTAL 3/	1,077,000	1,066,700	1,046,600	10,300	30,400
WAGE & SALARY EMPLOYMENT INDEX 4/	115.8	115.6	112.5	XXX	XXX
DIFFUSION INDEX 5/	59.3	61.6	52.7	XXX	XXX
TOTAL MANUFACTURING	193,200	191,900	192,400	1,300	800
DURABLE GOODS	141,500	140,400	141,900	1,100	- 400
LUMBER & WOOD PRODUCTS	64,500	63,400	62,800	1,100	1,700
LOGGING & SAWMILLS	32,300	31,700	31,800	600	500
VENEER & PLYWOOD	17,400	17,400	16,800	0	600
MILLWORK & STRUCTURAL WOOD	9,700	9,400	9,100	300	600
MOBILE HOMES	1,300	1,200	1,400	100	- 100
OTHER WOOD PRODUCTS	3,800	3,700	3,700	100	100
FURNITURE AND FIXTURES	2,400	2,400	2,600	0	- 200
STONE, CLAY, GLASS & CONCRETE	3,100	3,000	3,200	100	- 100
PRIMARY METALS	8,800	8,700	8,500	100	300
BLAST FURNACES, IRON & STEEL	5,300	5,300	5,300	0	0
NONFERROUS METALS	3,500	3,400	3,200	100	300
FABRICATED METALS	10,400	10,300	10,700	100	- 300
FABRICATED STRUCTURAL METALS	4,600	4,600	4,900	0	- 300
OTHER FABRICATED METALS	5,800	5,700	5,800	100	0
MACHINERY	14,800	14,600	14,900	200	- 100
ELECTRICAL EQUIPMENT & SUPPLIES	13,100	13,100	12,800	0	300
TRANSPORTATION EQUIPMENT	9,700	10,300	10,200	- 600	- 500
INSTRUMENTS & RELATED PRODUCTS	12,000	12,000	13,800	0	- 1,800
MISCELLANEOUS MANUFACTURING	2,700	2,600	2,400	100	300
NONDURABLE GOODS	51,700	51,500	50,500	200	1,200
FOOD & KINDRED PRODUCTS	20,600	20,400	20,100	200	500
CANNING & PRESERVING	10,400	10,100	9,900	300	500
OTHER FOOD PRODUCTS	10,200	10,300	10,200	- 100	0
TEXTILE MILL PRODUCTS	1,500	1,500	1,500	0	0
APPAREL	2,300	2,300	2,300	0	0
PAPER & ALLIED PRODUCTS	8,700	8,700	8,900	0	- 200
PRINTING & PUBLISHING	12,100	12,000	11,600	100	500
CHEMICALS & ALLIED PRODUCTS	2,200	2,200	2,000	0	200
PETROLEUM REFINING	400	400	400	0	0
RUBBER & PLASTIC PRODUCTS	3,500	3,500	3,300	0	200
LEATHER PRODUCTS	400	500	400	- 100	0

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
(BY PLACE OF WORK)

INDUSTRY	APR. 1987	MAR. 1987	APR. 1986	CHANGE FROM MAR. 1987	CHANGE FROM APR. 1986
(CONT.)					
TOTAL NONMANUFACTURING	883,800	874,800	854,200	9,000	29,600
MINING & QUARRYING	1,300	1,200	1,500	100	- 200
CONSTRUCTION	31,600	29,000	33,600	2,600	- 2,000
TRANSPORTATION, COMMUNICATIONS, & UTILITIES	57,000	56,900	56,200	100	800
TRANSPORTATION	35,900	36,000	34,700	- 100	1,200
RAILROAD	4,100	4,100	4,500	0	- 400
TRUCKING & WAREHOUSING	20,800	21,000	19,300	- 200	1,500
OTHER TRANSPORTATION	11,000	10,900	10,900	100	100
COMMUNICATIONS	12,500	12,400	12,800	100	- 300
UTILITIES	8,600	8,500	8,700	100	- 100
TRADE	270,700	267,000	262,800	3,700	7,900
WHOLESALE TRADE	67,300	66,900	67,100	400	200
DURABLE GOODS	39,700	39,000	39,600	700	100
NONDURABLE GOODS	27,600	27,900	27,500	- 300	100
RETAIL TRADE	203,400	200,100	195,700	3,300	7,700
GENERAL MERCHANDISE	25,600	25,100	25,000	500	600
FOOD STORES	33,400	32,800	30,900	600	2,500
AUTO DEALERS & SERVICE STATIONS	25,600	25,100	24,800	500	800
OTHER RETAIL TRADE	118,800	117,100	115,000	1,700	3,800
FINANCE, INSURANCE, & REAL ESTATE	72,400	71,500	68,200	900	4,200
BANKING & CREDIT AGENCIES	23,900	23,800	23,500	100	400
OTHER FINANCE, INSURANCE, & REAL ESTATE	48,500	47,700	44,700	800	3,800
SERVICES	242,900	240,100	228,300	2,800	14,600
HOTELS & PERSONAL SERVICES	26,600	25,900	25,000	700	1,600
HEALTH SERVICES	74,600	74,700	71,800	- 100	2,800
OTHER SERVICES	141,700	139,500	131,500	2,200	10,200
GOVERNMENT	207,900	209,100	203,600	- 1,200	4,300
FEDERAL GOVERNMENT	29,100	28,700	28,500	400	600
STATE GOVERNMENT	58,000	58,100	55,700	- 100	2,300
EDUCATION	25,000	25,400	24,300	- 400	700
OTHER STATE	33,000	32,700	31,400	300	1,600
LOCAL GOVERNMENT	120,800	122,300	119,400	- 1,500	1,400
EDUCATION	77,600	79,200	77,500	- 1,600	100
OTHER LOCAL	43,200	43,100	41,900	100	1,300
LABOR-MANAGEMENT DISPUTES	1,400	0	0	1,400	1,400

1/ PRELIMINARY

2/ REVISED

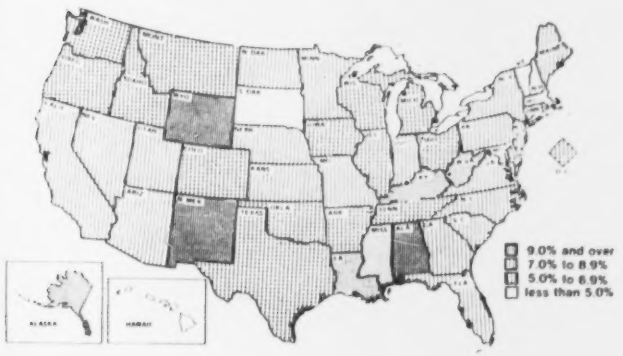
3/ INCLUDES FULL AND PART-TIME NONFARM WAGE AND SALARY WORKERS IN PAY PERIODS INCLUDING THE 12TH OF THE MONTH. PROPRIETORS, SELF-EMPLOYED, PRIVATE HOUSEHOLD WORKERS AND ARMED FORCES EXCLUDED. NOTE: ESTIMATED IN COOPERATION WITH THE U.S. BUREAU OF LABOR STATISTICS AND EMPLOYMENT AND TRAINING ADMINISTRATION. ALL DATA ARE BASED ON THE 1972 STANDARD INDUSTRIAL CLASSIFICATION (SIC) CODES AS AMENDED BY THE 1977 SUPPLEMENT.

4/ TOTAL NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT, SEASONALLY ADJUSTED, AND INDEXED TO 1977. DATA ON THE EARLIER INDEX (1972 = 100) CAN BE CONVERTED TO THE 1977 BASE PERIOD BY MULTIPLYING BY A FACTOR OF .8264, THE RATIO BETWEEN 1972'S ANNUAL AVERAGE EMPLOYMENT (774,300) AND THAT OF 1977 (936,900).

5/ THE DIFFUSION INDEX IS THE PERCENTAGE OF A SELECTED GROUP OF 43 INDUSTRIES SHOWING AN INCREASE IN SEASONALLY ADJUSTED EMPLOYMENT. HALF OF THOSE INDUSTRIES SHOWING NO SIGNIFICANT CHANGE (LESS THAN 1/2 OF 1%) ARE COUNTED AS INCREASING.

1986 UNEMPLOYMENT RATES BY STATE

Unemployment Rates by State, 1986 Annual Averages



	1986 Rank	1986	1985	Change
United States		7.2	7.0	-0.2
Louisiana	1	13.1	11.5	1.6
West Virginia	2	11.8	13.0	-1.2
Mississippi	3	11.7	10.3	1.4
Alaska	4	10.8	9.7	1.1
Alabama	5	9.8	8.9	0.9
Kentucky	6	9.3	9.5	-0.2
New Mexico	7	9.2	8.8	0.4
Wyoming	8	9.0	7.1	1.9
Texas	9	8.9	7.0	1.9
Michigan	10	8.8	9.9	-1.1
Arkansas	11	8.7	8.7	0.0
Idaho	11	8.7	7.9	0.8
Oregon	12	8.5	8.8	-0.3
Washington	13	8.2	8.1	0.1
Oklahoma	13	8.2	7.1	1.1
Illinois	14	8.1	9.0	-0.9
Montana	14	8.1	7.7	0.4
Ohio	14	8.1	8.9	-0.8
Tennessee	15	8.0	8.0	0.0
Colorado	16	7.4	5.9	1.5
Iowa	17	7.0	8.0	-1.0
Wisconsin	17	7.0	7.2	-0.2
Arizona	18	6.9	6.5	0.4
Pennsylvania	19	6.8	8.0	-1.2
California	20	6.7	7.2	-0.5
Indiana	20	6.7	7.9	-1.2
North Dakota	21	6.3	5.9	0.4
New York	21	6.3	6.5	-0.2
South Carolina	22	6.2	6.8	-0.6
Missouri	23	6.1	6.4	-0.3
Nevada	24	6.0	8.0	-2.0
Utah	24	6.0	5.9	0.1
Georgia	25	5.9	6.5	-0.6
Florida	26	5.7	6.0	-0.3
Kansas	27	5.4	5.0	0.4
Maine	28	5.3	5.4	-0.1
Minnesota	28	5.3	6.0	-0.7
North Carolina	28	5.3	5.4	-0.1
Nebraska	29	5.0	5.5	-0.5
New Jersey	29	5.0	5.7	-0.7
Virginia	29	5.0	5.6	-0.6
Hawaii	30	4.8	5.6	-0.8
South Dakota	31	4.7	5.1	-0.4
Vermont	31	4.7	4.8	-0.1
Maryland	32	4.5	4.6	-0.1
Delaware	33	4.3	5.3	-1.0
Rhode Island	34	4.0	4.9	-0.9
Connecticut	35	3.8	4.9	-1.1
Massachusetts	35	3.8	3.9	-0.1
New Hampshire	36	2.8	3.9	-1.1

FEDERAL CONTRACT ASSISTANCE

John Stone

Oregon business firms should be aware of the existence of a new program which is designed to help small business obtain federal contracts. "Small" business is generally defined as a firm with less than 500 employees. In 1985, Congress allocated funds for Procurement Technical Assistance Centers whose purpose would be to help small business firms bid on federal government contracts. Oregon firms obtain less than one half of 1% of all federal contracts at present. Many Oregon firms do not know how to obtain federal contracts or are intimidated by the paperwork that is involved.

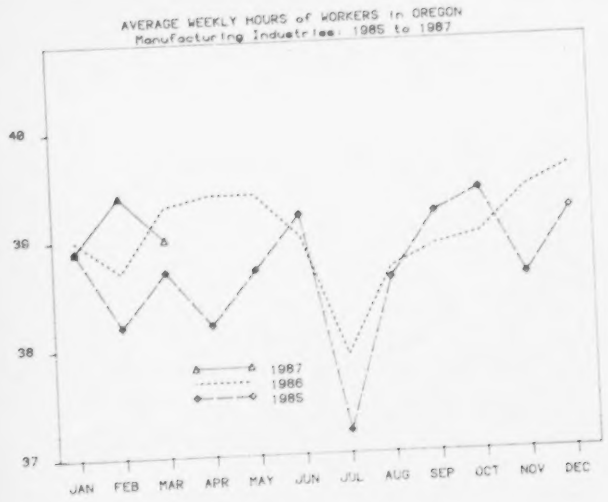
In 1986, the Oregon International Port of Coos Bay applied for and received a matching federal grant to set up an assistance program. The director of the Government Contract Acquisition Program (GCAP) is Rick Evans, a former Hughes Aircraft procurement specialist. The Coos Bay GCAP program provides a free service to Oregon business firms who are seeking federal contracts.

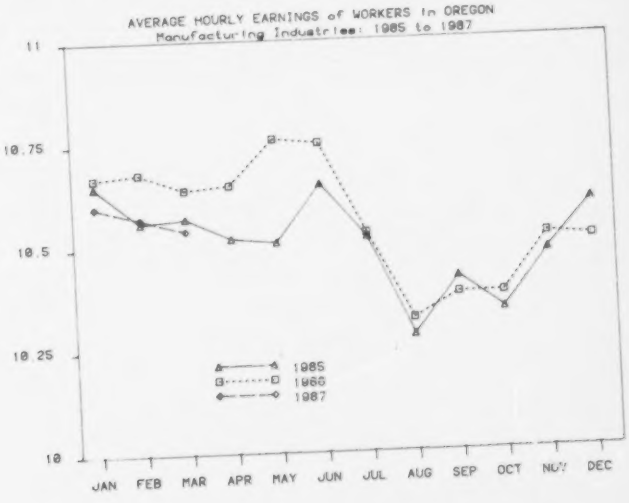
Each day, the Coos Bay GCAP receives updated computer lists of federal government requests for proposals and bid invitations. After a firm has registered with the GCAP computer service, that firm's products and services are matched with particular federal contracts. The firm then requests bid information from the relevant government agency. Coos Bay GCAP will provide assistance to the firm, if necessary, in filling out the bid package. In addition, the GCAP program offers a resource library, guidelines of specifications and standards, a microfiche system, and free consultation.

Almost any Oregon small business firm can qualify for the GCAP service. Approximately 150 firms now receive government bid information on a regular basis and 50 firms have already bid on government contracts. The efforts of the GCAP office have brought in over $100,000 to Coos Bay companies alone, while GCAP assisted bids throughout the State could potentially bring in millions of dollars. For further information about the GCAP program, contact:

International Port of Coos Bay
Government Contract Acquisition Program
Front & Market Streets
Coos Bay, Oregon 97420
Tele: 888-2595 □

HOURS & EARNINGS





AVERAGE HOURS AND EARNINGS OF OREGON INDUSTRIAL PRODUCTION WORKERS 1/

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	Mar. 2/ 1987	Feb. 3/ 1987	Mar. 1986	Mar. 2/ 1987	Feb. 3/ 1987	Mar. 1986	Mar. 2/ 1987	Feb. 3/ 1987	Mar. 1986
TOTAL MANUFACTURING 4/	$411.06	$416.46	$418.15	39.0	39.4	39.3	$10.54	$10.57	$10.64
Durable Goods	414.22	423.15	426.13	39.6	40.3	39.9	10.46	10.50	10.68
Lumber & Wood Products	415.80	434.84	449.04	39.6	41.1	40.6	10.50	10.58	11.06
Logging & Sawmills	431.07	455.22	477.19	38.8	40.5	40.1	11.11	11.24	11.90
Veneer & Plywood	417.51	444.87	465.26	40.3	42.9	43.2	10.36	10.37	10.77
Millwork & Structural	374.67	371.13	348.81	41.4	41.1	38.8	9.05	9.03	8.99
Mobile Homes	279.82	247.36	287.10	34.0	30.5	33.5	8.23	8.11	8.57
Other Wood Products	416.59	428.63	440.40	39.6	40.9	40.0	10.52	10.48	11.01
Furniture & Fixtures	320.80	314.80	315.90	38.1	37.7	40.5	8.42	8.35	7.80
Primary Metals	504.64	493.70	478.58	41.5	40.5	40.8	12.16	12.19	11.73
Fabricated Metals	377.28	367.93	400.93	39.3	39.1	39.5	9.60	9.41	10.15
Machinery (Ex Electrical)	427.12	431.94	423.93	38.9	39.7	39.0	10.98	10.88	10.87
Nondurable Goods	402.13	399.94	395.18	37.2	37.1	37.6	10.81	10.78	10.51
Food & Kindred Products	327.80	314.19	325.58	35.4	34.3	35.7	9.26	9.16	9.12
Canning & Preserving	277.49	260.62	260.84	34.6	33.2	33.7	8.02	7.85	7.74
Other Food Products	391.65	384.13	410.96	36.5	35.7	38.3	10.73	10.76	10.73
Textile Mill Products	243.08	259.52	242.79	38.1	39.5	38.6	6.38	6.57	6.29
Apparel	219.98	226.80	214.30	36.3	37.8	37.4	6.06	6.00	5.73
Paper & Allied Products	634.37	629.45	608.06	41.9	40.9	40.7	15.14	15.39	14.94
Printing & Publishing	432.60	449.92	419.60	35.9	37.4	37.1	12.05	12.03	11.31
Construction 4/	454.91	456.54	459.21	33.4	33.3	33.3	13.62	13.71	13.79
Communications & Utils 5/	504.27	543.71	501.39	39.8	41.6	40.5	12.67	13.07	12.38
Trade 5/	280.39	287.12	290.70	33.3	33.7	34.2	8.42	8.52	8.50
Wholesale Trade	373.89	396.55	392.70	36.3	37.2	37.4	10.30	10.66	10.50
Retail Trade	236.38	236.26	241.33	31.9	32.1	32.7	7.41	7.36	7.38
Banking & Insurance	307.87	332.86	309.26						
State & Local Government	347.97	350.39	337.11						

1/ Figures are average gross hours and earnings of full and part-time worked or paid for, including overtime and shift premium pay. Prepared in cooperation with the U.S. Department of Labor. All data are based on the 1972 Standard Industrial Classification (SIC) codes.

2/ Preliminary

3/ Revised

4/ Data for production workers only and exclude administrative, supervisory (above working foremen), technical, sales and office personnel.

5/ Data for nonsupervisory employees only, excluding proprietors and executive personnel. Data for retail trade excludes eating and drinking places.

BUSINESS GROWTH AND DECLINE IN OREGON

Arthur Ayre

Several studies have been conducted recently to measure the extent of job gains from business starts and expansions and job losses from business closures and contractions. At least one of these studies has examined the job gains across different firm sizes, industries, classes of ownership, and location of corporate headquarters. The primary purpose of the studies is to assist state agencies in developing effective strategies for economic development.

One such study was the research published in 1979 by Professor David Birch of MIT. Mr. Birch sought to determine where jobs were generated, and who was most likely to respond to economic development incentives. It was his observation that "our approach has usually been to stimulate whole economies with such shotgun policies as tax incentives and easy access to money and public works programs.... What we need and have lacked, is the ability to target our incentives to those who can make good use of them without wasting taxpayers' monies on those who cannot."

Other studies include analysis by the Brookings Institution, the University of California Institute of Urban and Regional Development, the Wisconsin Department of Development, and the Minnesota Department of Energy and Economic Development. The conclusions drawn by these studies are not all in agreement, but there is a growing base of analysis which will assist in the design of better research.

The Birch study concluded that, in the U.S. between 1969 and 1976, firms with fewer than 20 employees contributed two-thirds of net employment growth, and firms with fewer than 100 employees contributed four-fifths of net employment growth. The Brookings report found similar proportions in data covering 1978 to 1980, but noted that many of the growing small firms were branches or subsidiaries of larger firms. This called into question the results of the Birch study, which apparently treated branches of large firms as individual small businesses.

The Minnesota study stated that "A jobs policy supporting branching of large firms would promote stability in the economy, compared to the volatility introduced by numerous births and deaths of small firms." It also found that firms with headquarters located farther from the state were more likely to close than to contract, and that the best jobs policy was one which focused on retention and expansion of existing firms, especially those firms headquartered within the state. One suggestion was that public policy could assist in job creation by inducing large corporations to expand into new fields and businesses.

The Oregon Employment Division recently undertook part of a project to examine Oregon's business starts, stops, expansions, and contractions by size of firm, industry, and county over the recent past. The project focused on private firms and excluded the government sector. The study is similar in nature to those mentioned above but, as in the Birch study, contains the flaw of treating branches of large firms as individual reporting units.

The data in the Oregon Business Growth and Decline Study were drawn from Employment Division covered employment records, which reflect employment covered by Unemployment Insurance. The data identify each county's total number of firms and associated covered employment by four-digit SIC (Standard Industrial Classification code) and by size class (firms with covered employment of 0-19, 20-99, 100-249, 250-499, and 500+) for the years 1979 to 1985. It should be noted that data for 1979 and 1980 are not complete, due to the deletion of some records on businesses which closed prior to 1981. Therefore, we deal here only with the period 1981 to 1985.

The number of jobs (covered by Unemployment Insurance) in Oregon is shown in the table below by size class for years 1981 to 1984. The data indicate a trend away from employment in the largest units.

SIZE CLASS	EMPLOYMENT			
	1981	1982	1983	1984
1 (0-19)	236421	229039	233295	244834
2 (20-99)	235167	224900	226024	244857
3 (100-249)	114949	107303	110948	118122
4 (250-499)	70183	65307	67429	74466
5 (500+)	126741	120014	115831	119601

The following observations are based on a preliminary examination of the data. We'll focus first on employment changes due only to starts and stops. The net effect (starts minus stops) was a gain of employment in every year from 1981 to 1985. However, the gains were not equally distributed among the size classes. The following table shows that size class 1 (0 to 19 employees) contributed well over one-third of the total jobs added by starts and stops, while size class 2 (20 to 99) contributed over one-fifth. These figures are substantially smaller than those in the Birch and Brookings studies, but cover a different time period and a much smaller geographic area which is likely to exhibit unique characteristics.

NET EMPLOYMENT CHANGE DUE TO STARTS AND STOPS

SIZE CLASSES	PERIODS			
	1981-85		1984-85	
1 (0-19)	16982	37.1%	7187	33.6%
2 (20-99)	10368	22.7%	5057	23.6%
3 (100-249)	7760	17.0%	2189	10.2%
4 (250-499)	5757	12.6%	3569	16.7%
5 (500+)	4867	10.6%	3406	15.9%
TOTAL	45734	100.0%	21408	100.0%

The opening and closing of smaller businesses added more net jobs than did the opening and closing of larger businesses. However, the annual growth rate due to starts and stops in size classes 1 and 2 was essentially the same as those in the larger size classes (0.8% to 1.7% from 1981 to 1985).

Now let's consider employment changes due to expansions and contractions of existing businesses. It is in this area that we see substantial volatility. For example, between 1981 and 1985, the largest two-year percent change in employment due to starts and stops was 3.5% (size class 4 in 1983-1984), while the largest percent change due to expansions and contractions was 16.1% (size class 1 in 1983-1984). It is apparent that, during the study period, the major changes in employment occurred due to expansions and contractions of existing firms rather than to the opening and closing of firms.

When we add employment changes due to starts and stops to those due to expansions and contractions, we see that size class 1 is the only size to exhibit net growth every year between 1981 and 1985. This may be due to a tendency for large firms to grow by branching, as was suggested by earlier studies. Larger firms continue to show job losses due to contractions even as late as 1984-1985, well into the recovery. The table below shows net growth rates in employment due both to starts and stops and to expansions and contractions.

NET EMPLOYMENT GROWTH IN PERCENT

SIZE CLASSES	TWO-YEAR PERIODS			
	1981-82	1982-83	1983-84	1984-85
1 (0-19)	1.2%	12.8%	18.5%	12.3%
2 (20-99)	-10.1%	-3.2%	2.4%	-0.4%
3 (100-249)	-7.6%	-1.9%	0.8%	-2.1%
4 (250-499)	-4.8%	-3.6%	3.8%	-4.4%
5 (500+)	-4.3%	-4.0%	-1.3%	1.1%

Much mention has been made of the growth of employment in services. However, the data also show substantial percentage gains in several other industries in size class 1, several of which far outpace services.

NET EMPLOYMENT GROWTH BY INDUSTRY
(Size Class 1)

INDUSTRY	TWO-YEAR PERIODS			
	1981-82	1982-83	1983-84	1984-85
CONSTRUCTION	-20.0%	5.9%	20.3%	19.5%
DURABLE MFG	-1.3%	50.9%	47.2%	25.0%
NON-DUR MFG	12.8%	71.2%	23.1%	16.5%
T.C.U.*	7.3%	15.4%	22.2%	15.0%
WHOLESALE	3.8%	6.6%	17.8%	9.2%
RETAIL	-0.4%	6.8%	17.0%	7.5%
F.I.R.E.*	0.4%	8.3%	11.6%	10.7%
SERVICES	6.1%	8.4%	13.8%	12.6%

* T.C.U. = Transportation, Communications, Utilities
F.I.R.E. = Finance, Insurance, Real Estate

The spectacular growth rates in the preceeding table are due in large part to expansions of existing businesses. Many of these businesses expand right out of their original size class. This leaves the size class with a smaller employment base than the expansions would imply and sets the stage for continued large percentage gains. Nevertheless, the percentages indicate the ability of firms in size class 1 to add jobs to the economy.

In summary, the data in the Business Growth and Decline Study show that a large proportion of the net increase in jobs in Oregon occurs in small businesses, or at least in those reporting units treated as individual small businesses. In addition, this net increase is due primarily to expansions in existing small businesses (at least some of which are branches of large firms). Until we distinguish between independent small businesses and small branches of large firms, we will be unable to determine whether Minnesota's conclusions (favoring the branching of large, locally-owned firms) are supported by the Oregon data.□

OREGON LABOR TRENDS

The Oregon Labor Trends is published monthly by the Research and Statistics Section of the Oregon Employment Division, Raymond P. Thorne, Administrator.

Send comments, questions, and address changes ATTN: Jeff Hannum, R&S-LMI or Phone (503) 378-2736 or toll free 1-800-237-3710 ext. 8-8657.

Material contained in this publication is in the public domain and may be reproduced without special permission. Please credit OREGON LABOR TRENDS, Oregon Employment Division.

STATE OF OREGON
EMPLOYMENT DIVISION
DEPARTMENT OF HUMAN RESOURCES
875 UNION STREET N.E.
SALEM, OREGON 97311

OFFICIAL BUSINESS
PENALTY FOR PRIVATE
USE $300

U.S. MAIL

POSTAGE AND FEES PAID
EMPLOYMENT SECURITY MAIL
LAB 449

93005038-01
CONGRESSIONAL INFORMATION SVC DEPT
SRI
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814